

## Executive Summary

Entrepreneurs play a vital role in economic development as key contributors to technological innovation and new job growth. Further, entrepreneurs help build communities in ways such as providing jobs, conducting business locally, creating and participating in entrepreneurial networks, investing in community projects, and giving to local charities. Realizing both the economic and social impact of entrepreneurship, many states and local communities have implemented aggressive strategies aimed at cultivating and nurturing entrepreneurs.

In order for governments to effectively develop policies that will foster entrepreneurship, they must first understand the difference between entrepreneurs and small business owners, common misconceptions about entrepreneurs, and where entrepreneurs are located. Using this information, combined with entrepreneurial strategies outlined by the National Governors Association (NGA) Center for Best Practices, state governments can develop specific and effective measures to support entrepreneurs.

While cursory inspection shows entrepreneurial growth companies (EGCs) and small business owners have a lot in common, there are certain distinct differences between the two. Controlled growth and continued profitability are the goal for many small businesses while EGCs are generally geared toward rapid growth and productivity gains. In addition, EGCs often have significant economic effects on a community, accounting for a large portion of new job growth, making the support of them essential.

To better understand entrepreneurs, several common myths must also be dispelled. Though there are always exceptions, most of the common perceptions of entrepreneurs do not apply to most EGCs. Common myths cite that entrepreneurs: take uncalculated risks; start companies with a break-through invention; have years of experience in their industry; have detailed business plans with extensive research; and start the company with ample financial resources. In fact, most of these factors are rarely the entrepreneurial norm.

Since entrepreneurs provide significant economic and social benefits, and can be found in nearly every industry sector in every Labor Market Region in the country, many states have implemented entrepreneur-friendly policies in an effort to support local entrepreneurial efforts. Leading states have specific entrepreneurial goals incorporated into their strategic plans. Several entrepreneurial strategies for state's have emerged as best practices identified by the National Governors Association Center for Best Practices.

- ❖ ***Securing capital*** is important to the success of entrepreneurs, particularly in the early stages of development. States can assist entrepreneurs in finding seed capital through direct investment, investments in venture capital limited partnerships and tax credits.
- ❖ ***Providing technical assistance*** with the creation of small business assistance centers, science and technology corporations, and programs that provide financial and management guidance are valuable services for entrepreneurs.

- ❖ ***Streamlining securities regulation*** eases the process entrepreneurs must go through in the search for capital.
- ❖ ***Improving state regulations and licensing environments*** reduces the burden on entrepreneurs seeking licenses and permits. One-stop business centers can serve as a point of contact between entrepreneurs and all state regulatory agencies. Streamlining the registration and license process can have benefits for both entrepreneurs and state agencies by reducing the duplication of processes, paperwork, time and resources needed to properly register a new business venture.
- ❖ ***Encouraging entrepreneurs in education*** builds a foundation for successful entrepreneurial ventures. In higher education, building intellectual capital at state universities fosters entrepreneurship while superior research centers aid universities in attracting and retaining top-quality faculty, spur technological innovations, and aid in the transfer of technology to the private sector. Education at the secondary level is important as well to at least raise the awareness of entrepreneurship as a career option.
- ❖ ***Creating industry clusters and entrepreneurial networks*** are beneficial to economic development strategies and entrepreneurs. Entrepreneurs can develop contacts and fill specialized industry niches within clusters and networks.
- ❖ ***Targeting entrepreneurs*** through state economic development offices and business development centers can help educate them on available services and programs. Advertisements in trade publications, communications through local chambers of commerce, industry associations, and public service announcements are just a few ways governments can effectively get the message out.

Missouri has a variety of programs available for the entrepreneur and/or small business owner, many of which are in line with the best practices listed above. The Missouri Small Business Network is a comprehensive collection of resources for those starting or operating a business. Resources in the network include the Small Business Start-Up Kit, the Missouri Small Business Assistance Center, University of Missouri Outreach and Extension services, Missouri Small Business Development Centers, Small Business Incubators, the Missouri Innovation Center, as well as many others.

Missouri entrepreneurs seeking capital can turn to the Missouri Finance Network website that provides summaries of financial programs and incentives available through the Department of Economic Development (DED) and other federal, state and local financial programs. The network makes summaries of various DED programs available along with downloadable application forms for most of the programs. Some Missouri programs include the Small Business Incubator Tax Credit Program and the Action Fund Loan Program.

Other Missouri efforts to foster entrepreneurship involve streamlining securities regulation through programs designed to simplify the process of quickly raising relatively small amounts of capital and participating in multi-state securities offering procedures. In addition, several

Missouri universities offer programs specifically geared toward entrepreneurs, including St. Louis University's award-winning entrepreneurship education website.

Despite the extent of these programs, Missouri can still do more to support entrepreneurs in the state. To become a national leader in entrepreneurship, Missouri should consider implementing some of these suggestions: continuing to focus on helping entrepreneurs gain access to venture capital; incorporating entrepreneurship education into secondary and post-secondary institutions; and increasing access to the resources Missouri already has in place.

Raising awareness of Missouri's programs and resources is another important improvement the state could make. By promoting education programs, the state can educate aspiring entrepreneurs early on. Advertising various resources at career fairs, in trade publications and through chambers of commerce will help raise awareness of the programs Missouri has in place for entrepreneurs and small business owners.

Missouri is making strides, providing a variety of services and resources to its current and future entrepreneurs. Missouri's ranking of 17<sup>th</sup> in the Small Business Survival Index indicates that measures are being taken to support entrepreneurship and small business in the state. With continued effort and by implementing some of its proven best practices outlined in this report, Missouri can take advantage of the opportunity to become a leader in entrepreneurship and reap the economic and social rewards that accompany that role.

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# The Importance of Entrepreneurship

Much of the country's decade long, record setting expansion of the 1990's can be attributed to a booming entrepreneurial sector. According to the Kauffman Center for Entrepreneurial Leadership, new firms, those less than two years old, account for 100 percent of net new job creation in the United States. Additional statistics indicate entrepreneurs account for at least two-thirds of all technological innovation and are responsible for as much as one-third to two-thirds of the difference in national growth rates.<sup>1</sup>

The economic impact of entrepreneurship on communities has been well documented. However, entrepreneurship offers many social benefits as well. John Gardner argues in "Building Community" that where community exists it confers a sense of identity, belonging and a measure of security. Entrepreneurship can help confer this sense of identity, belonging and security not only to those who elect to start a business but also to those who join them in that effort.<sup>2</sup> Entrepreneurs help build communities in many ways including providing jobs, conducting business locally, creating and participating in entrepreneurial networks, investing in community projects, and giving to local charities.

Realizing both the economic and social impact of entrepreneurship, many states and local communities have implemented aggressive strategies aimed at cultivating and nurturing entrepreneurs. In this study, entrepreneurship policies and strategies recommended by entrepreneurship leaders such as the Kauffman Center for Entrepreneurial Leadership and the National Commission on Entrepreneurship will be presented. In addition, best practices in entrepreneurship by state governments throughout the country will be highlighted. The benefits of entrepreneurship are numerous - more jobs, a better quality of life, success in global markets, and reinvestment of new wealth. In order to realize these benefits Missouri must recognize entrepreneurship as an integral component of economic development and begin creating and implementing policies and strategies that will cultivate and nurture entrepreneurs.

## Entrepreneur or Small Business Owner?

With the benefits of entrepreneurship clearly documented, many might wonder what constitutes an entrepreneurial company. Dictionary.com defines an entrepreneur as a person who organizes, operates and assumes the risk for a business venture. The Kauffman Center for Entrepreneurship provides the following definition for an entrepreneur:

*Entrepreneurs have the ability to amass the necessary resources to capitalize on new business opportunities. The term is frequently used to refer to individuals who create or seize business opportunities and rapidly grow these ventures without regard for resources under their control. They build something from practically nothing and*

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<sup>1</sup> Von Bargen, Patrick; "Entrepreneurial Growth Companies: A Working Definition of Entrepreneurship"; Presented to the National Commission on Entrepreneurship; November 15, 2000.

<sup>2</sup> Smilor, Raymond; "Entrepreneurship and Community Development"; Kauffman Center for Entrepreneurial Leadership; April 1997.

*usually reinvest their earnings to expand their enterprise or create new enterprises. Other words that characterize entrepreneurship include innovative, creative, dynamic, risk-tolerant, flexible, and growth-oriented.*<sup>3</sup>

Most entrepreneurial experts agree that growth rates and desired outcomes are what most often distinguishes entrepreneurial growth companies (EGCs) from small businesses. Typically EGCs grow between 15-20% per year in either revenues, employment or both. In addition, leaders of EGCs most often intend to build large, high-growth businesses that provide an innovative product or service, whereas small businesses tend to create companies that provide existing products and services with the intention of maintaining a desired lifestyle.

Initially EGCs and small business have many things in common. They both start small, requiring tremendous work and resources from their founders. Both serve important economic functions, such as meeting community market needs and creating jobs, and both begin with limited resources. Unfortunately very few small businesses will become EGCs; however, small businesses often serve as key suppliers for EGCs.

It is the EGCs that have the largest economic effect on a community. Though they account for only 5-10% of U.S. firms they create two-thirds of the 240,000 new jobs created each month.<sup>4</sup> Governments should therefore focus time, effort and resources on cultivating and assisting these EGCs. This is not to say that small businesses should be forgotten. Many of the policies and strategies governments have developed will benefit both small businesses and EGCs. However, EGCs have many needs beyond those of a typical small business owner, such as access to capital and investors, technical assistance with product development and patent applications, access to intellectual capacity, improved securities regulation, and many others.

Despite the numerous benefits of entrepreneurship, public understanding and comprehension of entrepreneurship is quite poor. Because EGCs are not often recognized until they have reached the latter stages of development, both the public and policymakers lack a clear understanding of how a small business develops into an EGC. This lack of understanding hinders state and local government efforts to develop and maintain support systems for entrepreneurs and breeds misconceptions regarding entrepreneurs and how they conduct business. In order to overcome these obstacles it is critically important for policymakers to become familiar with the stages of development of EGCs and dispel entrepreneurial myths.

In addition to the aforementioned differences, EGCs experience two distinctly different stages of development compared to small businesses. The first clear distinction between small businesses and EGCs is productivity gains, most often achieved via the company's proposed product, service or distribution methods. These productivity gains allow for rapid growth within a company.. However, while productivity gains provide the potential for fast growth they do not guarantee an entrepreneurial company will emerge.

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<sup>3</sup> Kayne, Jay; "State Entrepreneurship Policies and Programs"; Kauffman Center for Entrepreneurial Leadership; November 1999.

<sup>4</sup> Von Bargen, Patrick; November 15, 2000.

Growth, specifically rapid growth, is the second noticeably different developmental stage EGCs experience. Most small businesses start small and stay small while EGCs tend to experience massive growth within the first few years of inception. For small businesses, rapid growth may not be a goal. Limited growth and continued profitability are what many small businesses strive to achieve. However, company growth is typically a fundamental goal of entrepreneurs that effects every decision they make from the type of business they start to how they operate.

## ***Entrepreneurial Myths***

More so than small businesses, entrepreneurial ventures are particularly vulnerable to failure, due to their rapid growth and innovative products or services. One of the main problems facing entrepreneurship today is the limited and often incorrect conception of what "entrepreneurship"

### ***Common Entrepreneurial Myths***<sup>6</sup>

- ❖ Entrepreneurs take uncalculated risks in starting their companies.
- ❖ Most Entrepreneurs start their companies with a break-through invention.
- ❖ Most Entrepreneurs have years of experience in their industry.
- ❖ Most Entrepreneurs have a detailed business plan and have researched and developed their ideas.
- ❖ Most Entrepreneurs start their companies with ample financial resources.

means and what entrepreneurs do in order to succeed.<sup>5</sup>

Though there are always exceptions, most of the common perceptions of entrepreneurs do not apply to most EGCs. While a few industries, such as biotechnology and IT, adhere to the adage "get big, get niche, or get out", most entrepreneurial companies remain unnoticed throughout their early stages.

The most prevalent entrepreneurial misconception is that entrepreneurs take irresponsible, uncalculated risks. With any business venture there is a certain amount of risk and those ventures with greater returns frequently require more risk. This is not to say that entrepreneurs are careless or irresponsible. They frequently take very calculated risks in creating their businesses. However, entrepreneurs are very effective at disseminating much of this risk to others, such as investors, in the early stages of development. It is often riskier to work for an entrepreneur or be their supplier or customer in the early stages. It is only in later stages of development, after a valuable business has been created, that entrepreneurs begin to personally assume real risk. During this phase the entrepreneur risks losing everything if they wish to rapidly grow their business. The risk is no longer

spread among investors and suppliers but is more heavily centered on the founder. Further growth requires additional capital and in the quest for investors the founder often relinquishes significant or total control and/or rights to the company they created. If suitable capital is not secured the founder risks losing the entire company. It is during these stages that strong organizational and managerial skills as well as a high tolerance for risk becomes increasingly important. Few individuals have the abilities required to create EGCs, making it ever more

<sup>5</sup> "Five Myths About Entrepreneurs: Understanding How Businesses Start and Grow"; National Commission on Entrepreneurship; March 2001.

<sup>6</sup> "Five Myths About Entrepreneurs: Understanding How Businesses Start and Grow"; March 2001.



critical that governments develop support networks and policies to aid entrepreneurs through these difficult transition stages.

Another commonly held entrepreneurial myth is that all successful entrepreneurs begin their endeavor with a break-through invention, typically a technological innovation. In reality, groundbreaking inventions and services such as those developed by Henry Ford or Federal Express are quite rare. Innovation is clearly important to entrepreneurial ventures, however many innovations are often found in new processes, distribution methods and increased productivity. The entrepreneurial venture must have some element that distinguishes it from other companies. Often the distinguishing product or service process is also key in securing outside venture funding. As companies such as Starbucks, McDonalds, Wal-Mart and Jiffy Lube have clearly shown, a break-through invention, unique product or revolutionary new process is not a requirement for entrepreneurial success, especially in the beginning stages of development. In fact, "exceptional execution of an ordinary idea" was cited by almost nine out of ten successful entrepreneurs as the key to their success and enough to create the needed distinction between competing companies.<sup>7</sup>

Entrepreneurs are often mistakenly believed to be experts in the industry in which they begin their venture. In truth, entrepreneurial companies are just as likely to be started by amateurs with little experience in their field, many with little prior work experience of any kind. A full 40% of *Inc.* 500 founders had no prior experience in the industry they were entering.<sup>8</sup> This is not to say that entrepreneurs are individuals who venture into an industry with little knowledge and strike gold. Rather they are often highly intelligent people with a myriad of skills but most importantly, are also very responsive and highly adaptable. It is these characteristics, as opposed to a wealth of industry knowledge, that allow their companies to be successful. As the company develops, founders will frequently gain knowledge and prominence in their chosen industry or hire individuals with significant industry experience. In the later stages of development extensive industry knowledge and expertise become critical to the continued growth and success of the company.

While it is true that entrepreneurs are often intelligent individuals with an action plan, most do not enter into an entrepreneurial venture with a detailed business plan supported by thoroughly researched and developed ideas. Typically these types of carefully constructed business plans surface in much later stages of development. Because extensive research and planning is often unnecessary and financially difficult for most entrepreneurs, many begin their endeavor with only a rudimentary business plan. In the early stages of entrepreneurial development, responsiveness, quick decision making, and the ability to cope with setbacks and rejections are more important than detailed, strategic plans. In the latter stages of company development, detailed planning becomes critical for both the continued growth and attraction of additional investors. Frequently, venture capitalists require extensive business plans that include set metrics and timetables.

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<sup>7</sup> "Five Myths About Entrepreneurs: Understanding How Businesses Start and Grow"; March 2001.

<sup>8</sup> "Five Myths About Entrepreneurs: Understanding How Businesses Start and Grow"; March 2001.



Finally, not all entrepreneurial start-ups are launched with extensive venture capital financing. Venture capitalists and venture capital start-ups have received a lot of media coverage creating a misconception that virtually all EGCs are created with substantial amounts of seed capital. In reality, fewer than 4,000 of the roughly 700,000 new businesses created in 1999 were venture capital funded, less than one percent.<sup>9</sup> While many entrepreneurial ventures start without venture capital, there are industries such as biotechnology, high-tech startups, and Internet firms that are often dominated by venture capital. Research has shown that while many entrepreneurial companies are successful without the aid of venture capital, venture capital-backed EGCs perform better during growth stages than those without investors.<sup>10</sup> Given this research, securing venture capital for entrepreneurs should be a top priority for state and local governments.

### ***Where are the Entrepreneurs?***

Before policymakers can develop useful initiatives to support entrepreneurs they must have a clear understanding of where entrepreneurs begin their business ventures. Many mistakenly believe that most entrepreneurial ventures are found in high-tech industries, in select regions of the country, like Silicon Valley for example. Surprisingly, research from the 1992-1997 time frame indicates high-growth companies can be found in every Labor Market Region of the country and in virtually every industry sector. Additionally, the data support economic development theories based on industry clusters with 89 percent of all Labor Market Regions in the country demonstrating a comparative advantage in certain industry sectors.<sup>11</sup> (For an explanation of Industry Sectors See Appendix A.)

<b>Sector</b>	<b># of High Growth Companies</b>	<b># of All Start-Ups Growing to 20 or More Employees</b>
Manufacturing	25,273	4,566
Business Services	28,254	5,663
Distributive	38,452	4,488
Extractive	5,798	513
Local Market	113,001	15,656
Retail	48,619	11,055

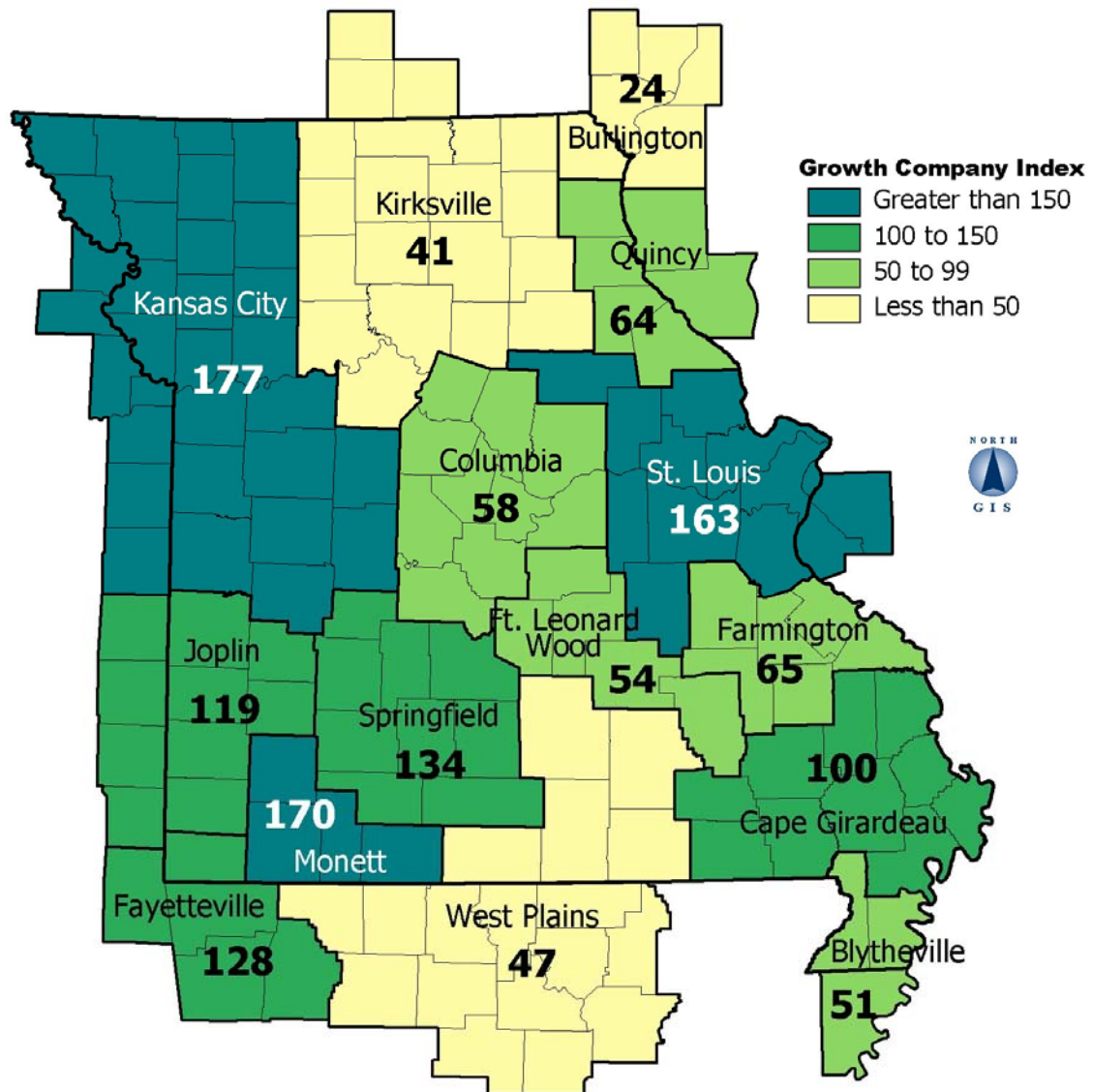
*Source: National Commission on Entrepreneurship*

<sup>9</sup> Hessen, Mark G.; "Exploring the Venture Capital and Entrepreneurial Relationship"; National Association of Venture Capital; September 6, 2000.

<sup>10</sup> "Five Myths About Entrepreneurs: Understanding How Businesses Start and Grow"; March 2001.

<sup>11</sup> "High-Growth Companies: Mapping America's Entrepreneurial Landscape"; National Commission on Entrepreneurship; July 2001.

Likewise, the data shows that Missouri has a diversified entrepreneurial landscape with every Missouri Labor Market Region having high-growth companies. Four of Missouri's Labor Market Regions, St. Louis, Kansas City, Springfield and Monett, rank among the nation's top twenty percent for their respective Labor Market Region population-size class. Rankings were based on the National Commission on Entrepreneurship's Growth Company Index (GCI). (See Appendix A.) The average GCI for all Labor Market Regions was 100. Those receiving indexes above 100 performed higher than average while those with scores below 100 performed below average.



For detailed data for each Missouri Labor Market Region see Appendix A

## How State Government Can Get Involved

Given the economic and social benefits of entrepreneurship, many state and local governments have already implemented entrepreneur-friendly policies in an effort to support local

### **Government Entrepreneurial Strategies**

- ✦ Help Secure Capital
- ✦ Provide Technical Assistance
- ✦ Streamline Securities Regulation
- ✦ Improve State Regulation and License Environments
- ✦ Improve State Tax Environments
- ✦ Encourage Entrepreneurship Education
- ✦ Create Industry Clusters and Entrepreneurial Networks
- ✦ Target Entrepreneurs

entrepreneurs. Virtually every state has a far-reaching economic development strategy and many states are beginning to view entrepreneurship as an integral component of these economic development strategies. Leading states have specific entrepreneurial goals incorporated into their strategic plans.

As Missouri faces the New Economy, new economic strategies and goals have been defined. Missouri is working diligently to improve economic competitiveness in several key industries including life sciences, information technology and advanced manufacturing. Entrepreneurship plays a key role in each of these industries as well as in many others. For Missouri to achieve its economic development objectives and thrive in the New Economy, strategies that will address the needs of entrepreneurs must be adopted. Several entrepreneurial strategies identified by the National Governors Association Center for Best Practices are discussed in the following sections.

### **Entrepreneurial Strategies**

**Securing Capital.** Due to the phenomenal growth entrepreneurial firms experience they often require large amounts of capital to help them succeed in their business venture. The lack of investors can be a significant barrier for many entrepreneurs, particularly in the early stages of development. With new products and innovations being introduced rapidly, businesses seeking to compete in a global marketplace need massive infusions of capital to survive, particularly in industries such as biotechnology, telecommunications and advanced technology.<sup>12</sup> There are a number of approaches states can take to help entrepreneurs secure adequate financing for their business ventures. The most frequently utilized approaches by states to fill the seed money void include direct

#### **Massachusetts**

The Massachusetts Technology Development Corporation (MTDC) is one of the oldest and most successful examples of direct investing by a state agency. MTDC provides financing, technical assistance to first-time entrepreneurs, reviews and critiques initial business plans, aids in attracting private financing and refers entrepreneurs to private sources of capital. Private investors typically provide two to five times as much capital as MTDC. MTDC usually receives a return on equity investment in five to seven years.

<sup>12</sup> Palladino, Scott; Rubel, Scott; "Nurturing Entrepreneurial Growth in State Economies"; National Governor's Association for Best Practices; May 2000.

## Connecticut

Connecticut Innovations, Inc. is a venture capital corporation capitalized with funding from the state. Connecticut Innovations invests between \$50,000 and \$1 million in a company raising matching funds. Unlike most financing sources, they will accept proprietary technology as collateral. Additionally, they typically seek a return on investment proportionate with the risk involved.

investment, investments in venture capital limited partnerships and tax credits. With direct investment strategies, states can make both debt and equity investments, usually by direct purchase of common or preferred stock with a long-term loan. Typically these investments are joint ventures with private sector investors.<sup>13</sup> Investing in venture capital partnerships involves states investing in either one fund or a portfolio of funds. This type of investment encourages firms to focus investment opportunities with the state. Finally, states can offer tax credits to individuals who invest directly in a business venture

or certified seed and venture capital pools. Due to the cost of this approach, policymakers must ensure that the investment capital is invested within the state and that investments are true venture investments as opposed to relatively risk-free investments.

***Providing Technical Assistance.*** Recalling that many entrepreneurs often have little experience in their chosen field and perhaps little or no work experience, they often benefit greatly from technical assistance. Technical assistance is needed in many areas. With the growth of technology and its penetration into every industry, many contemporary entrepreneurs are technologists that desperately need assistance in marketing, finance and business operations.

Similarly, many non-technologists may need assistance with product testing, specifications, etc., in addition to marketing and finance.

Additionally, entrepreneurs often need help maneuvering through patent applications and state and federal licensing requirements.

Lacking these required skills can hamper an entrepreneur's business venture in many ways including limiting investors who perceive the low-skilled entrepreneur as an increased risk.

States can help entrepreneurs overcome these obstacles through a variety of programs. Many states have created small business assistance centers that guide entrepreneurs through the pitfalls of constructing a business plan, securing financing, and obtaining the required permits and licenses. Other states have created science and technology corporations that provide technology-based technical assistance to entrepreneurs. Additionally, many state-sponsored seed funds provide financial and management guidance to entrepreneurs.

## Missouri

Missouri's Business Assistance Center (MBAC) is a part of the Missouri Department of Economic Development that provides a multitude of services to guide entrepreneurs and small business owners through the maze of starting a business. Some of the services they provide include:

- ✦ Customized Business Startup Packet
- ✦ Information on state-level licenses, fees, permits and regulations
- ✦ Information on financing
- ✦ Assistance locating suppliers
- ✦ Referrals to educational resources
- ✦ Assistance writing a business plan
- ✦ Information on importing and exporting products.

<sup>13</sup> Palladino, Scott; Rubel, Scott; "Nurturing Entrepreneurial Growth in State Economies".

***Streamlining Securities Regulation.*** In their quest for capital, entrepreneurs must ensure they adhere to federal and state securities regulations. Since 1996, issuers looking to raise less than \$5 million have been largely exempt from federal regulation requirements but must still comply with state regulations.<sup>14</sup> Because each state has unique securities regulations, complying with them can prove to be an overwhelming task for entrepreneurs. In response to this obstacle, the North American Securities Administrators' Association (NASAA) has developed model regulations and legislation that can be adopted by states.

To aid entrepreneurs, many states have adopted the NASAA regulations and legislation. Others have begun participating in regional consortiums to review securities regulations and certain multi-state initial public offerings. Additionally, many states are participating in the Small Business Administration's ACE-net, a program that brings together entrepreneurs and angel investors over a secured Internet network.<sup>15</sup> If states, Missouri included, wish to promote entrepreneurship as an integral component of economic development then they must take the necessary steps to ensure investors are protected from fraudulent securities offerings while still allowing legitimate entrepreneurs the ability to use new and innovative methods, such as the Internet, to raise capital for their business ventures.

***Improving State Regulations and Licensing Environments.*** As with any business, entrepreneurs must register their venture with the state, city and possibly county as well as obtain all necessary permits and licenses. In several states, including Missouri, this often means filling out various applications for different agencies, often requiring much of the same information on

### **Washington**

Washington's Unified Business Identifier (UBI) and Master License Service (MLS) allow individuals starting a business to visit one UBI service location, complete a single master application, and receive a UBI number that will be used by all state agencies involved in business regulation, taxation, and registration.

each form. In addition entrepreneurs must take steps to ensure they are in compliance with state utility, environmental and legal regulations. Researching all of the various regulations, licenses and permits places a heavy burden on entrepreneurs and small business owners alike.

Attempting to reduce the burden on entrepreneurs, several states have created one-stop business centers that allow entrepreneurs to locate all the necessary information and applications in one location as well as via the Internet. These one-stops are serving as a point of contact between entrepreneurs and all state regulatory agencies. In

addition, many states are attempting to simplify all types of regulations from environmental to tort legislation. Streamlining the registration and license process can have benefits for both entrepreneurs and state agencies by reducing the duplication of processes, paperwork, time and resources needed to properly register a new business venture.

***Improving State Tax Environments.*** State tax laws represent another area that can place unnecessary burdens on entrepreneurs. While state tax burdens have fallen considerably over the last several years, confusing tax laws and regulations make this business component very

<sup>14</sup> Palladino, Scott; Rubel, Scott; "Nurturing Entrepreneurial Growth in State Economies".

<sup>15</sup> Palladino, Scott; Rubel, Scott; "Nurturing Entrepreneurial Growth in State Economies".



intimidating to many entrepreneurs. Simplifying the tax code is one way states can make the tax burden less overwhelming for entrepreneurs. Additionally, many entrepreneurs establish firms as a limited liability corporation meaning they fall under personal income tax regulations in many states. This being the case, many states have revised capital gains taxes to exclude a percentage of capital gains tax income from state taxes as well as prorate the capital gains tax based on the number of years the investment was maintained. In addition to revising capital gains taxes, states can foster entrepreneurship by implementing a number of targeted tax breaks aimed at rewarding individuals and corporations for investing in entrepreneurial ventures.

***Encouraging Entrepreneurship in Higher Education.*** There are two main approaches states can use to actively involve higher education in cultivating entrepreneurship. The first is to build intellectual capacity at state universities. Many successful entrepreneurial hubs across the country such as Silicon Valley and Austin, Texas, have a common element: first-rate research universities. Superior research centers aid universities in attracting and retaining top-quality faculty, spur technological innovations, and aid in the transfer of technology to the private sector. Nationally recognized research centers not only attract entrepreneurs and private companies looking to commercialize innovations and technologies but they also attract federal grant funds. One way states can foster an entrepreneurial environment in state universities is by addressing changes in faculty policies regarding intellectual property rights-including increasing the faculty share of royalties and licensing revenues generated through university generated patents.<sup>16</sup> In addition, states must continue to generously fund university research centers with the caveat that universities be held accountable for achieving set objectives within defined time frames.

The second approach states can use to more actively involve the higher education sector in entrepreneurship is to encourage the creation of entrepreneurial programs of study at all higher education institutions. Higher education can aid in cultivating entrepreneurship in many ways, including creating entrepreneurship degree programs, establishing entrepreneurial centers, or endowed chairs in entrepreneurial education.

Entrepreneurship education should not be limited to higher education alone. Entrepreneurship education should be included in secondary education as well. Many states are now including some form of entrepreneurial education for secondary students that, at the very least, raises the awareness of entrepreneurship as a career option. Many states are accomplishing this through various school-to-career programs. Again, it is very important for state government to include educational departments to actively encourage entrepreneurship programs at all levels of study. Schools that implement entrepreneurial programs or educational curriculum requirements might receive special entrepreneurial grants.

### **Kentucky<sup>17</sup>**

Kentucky's "Bucks for Brains" program is a \$220 million program to support endowed chairs, professorships, additional faculty, and graduate students at Kentucky higher educational institutions. The program allows the University of Louisville and the University of Kentucky to build intellectual capacity through the recruitment of world-class researchers and research teams. States funds are matched equally with private funds.

<sup>16</sup> Palladino, Scott; Rubel, Scott; "Nurturing Entrepreneurial Growth in State Economies".

<sup>17</sup> Palladino, Scott; Rubel, Scott; "Nurturing Entrepreneurial Growth in State Economies".

***Creating Industry Clusters and Entrepreneurial Networks.*** Industry clusters have proven to be vital to economic development strategies and can be just as beneficial to entrepreneurs. As industry cluster firms develop high degrees of specialization they provide entrepreneurs a unique opportunity to develop start-ups that can service specialized industry niches. The low level of vertical integration among firms in a cluster lowers the barrier to entry, increasing the number of firm start-ups. Additionally, industry clusters aid in attracting venture capitalists because the geographic concentration of firms is often more attractive to investors.<sup>18</sup>

Entrepreneurial networks can aid in creating industry clusters or help support and grow existing clusters. Regions with strong entrepreneurial networks tend to have stronger track records in terms of new business starts and fast-growing businesses.<sup>19</sup> Networks can range from informal gatherings at a local restaurant to formal committees or associations that have regularly scheduled meetings. Members can include entrepreneurs, professional service providers, aspiring entrepreneurs, local development officers, and investors and can be initiated by any number of interested organizations including local chambers of commerce, state agencies, and entrepreneurs themselves. However, the National Commission on Entrepreneurship cautions state agencies to use a light touch when initiating an entrepreneurial network and warns against dominating networks. Not doing so could lead to the perception of the network as "just another government program" and could significantly decrease the network's chance of success.

While government agencies are warned to not dictate network creation or dominate existing networks, this does not mean public agencies and officials cannot actively participate in the creation of local entrepreneurial networks. On the contrary, governments should work aggressively to spark local networks, while refraining from dominating the process. This can be achieved by governments reaching out to private community leaders, participating in local networks, increasing community awareness of existing government programs that support entrepreneurs, and providing funding and resources when possible. Government agencies that decide to encourage the creation of entrepreneurial networks should expect significant changes to occur over an extended period of time, anywhere from 3 to 5 years, and be prepared for the possibility that the network initiative may fail as well as thrive, thus requiring ongoing participation and support.

***Targeting Entrepreneurs.*** A final way in which states can cultivate entrepreneurs is to implement an aggressive outreach program. The most common way states reach out to entrepreneurs is through state economic development offices and business development centers. Unfortunately, many entrepreneurs or aspiring entrepreneurs are not familiar with many of the helpful programs and means of assistance government agencies provide budding business founders. Furthermore, entrepreneurs new to the policies and procedures of state agencies often find the maze of agencies and departments confusing and unhelpful. As states begin to simplify the governmental process and develop agency partnerships in an effort to make government more user-friendly, they must also actively market the new programs to ensure citizens know what is available and where it can be found. Advertisements in trade publications,

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<sup>18</sup> Palladino, Scott; Rubel, Scott; "Nurturing Entrepreneurial Growth in State Economies".

<sup>19</sup> Pages, Erik; Garmise, Shari; "Building Entrepreneurial Networks"; National Commission on Entrepreneurship; December 2001.



communications through local chambers of commerce, industry associations, and public service announcements are just a few ways governments can effectively get the message out.

In addition to raising awareness of government entrepreneurial programs, governments need to recognize successful entrepreneurs as well as individuals and corporations that make significant contributions to entrepreneurial ventures either through direct investments or other areas of support including technical, managerial or consulting. Many states already recognize entrepreneurs in a variety of ways including awards for quality and excellence. By recognizing the achievements of entrepreneurs governments reinforce the importance of entrepreneurship to local, regional, and state economies as well as provide an opportunity for entrepreneurs to form the critical networks mentioned above.

Clearly there are a number of ways state governments can get involved in the cultivation of entrepreneurship. Missouri is already doing many of the things previously listed, however, there is room for improvement: Missouri was ranked 17<sup>th</sup> in the 2001 Small Business Survival Index published by the Small Business Survival Committee. While this ranking indicates Missouri is doing well in supporting small business, there are several things Missouri could easily implement that would greatly benefit entrepreneurs and small business owners, as well as the local, regional and state economies.

## **Entrepreneurship in Missouri**

Entrepreneurs are an integral part of state economic development. From raising capital to technical assistance to entrepreneurship education, Missouri has a variety of programs available for the entrepreneur and/or small business owner. As the definitions of small business owner and entrepreneur are often overlapping, so are the programs that benefit them. Most of the following types of assistance are available for either Missouri's entrepreneurs or small business owners.

### ***Technical Assistance***

The Missouri Small Business Network (MoBDN) is a comprehensive collection of resources for those starting or operating a business.<sup>20</sup> This network is a partnership of the University of Missouri Outreach and Extension, Missouri Departments of Economic Development and Agriculture, and Missouri Small Business Development Centers. It combines sources of small business and entrepreneurial information and assistance from these agencies and others within the state at one convenient website. Topics included in the site are Business Development, Finance, Focus on Industry, Legal/ Regulatory, Marketing, and Other Resources, as well as available training opportunities.

The Small Business Start-Up Kit, a joint project of MoBDN members, provides a great source of information for new businesses. It includes five extensive publications for new businesses, as well as worksheets and forms in areas such as licensing, marketing and finance.

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<sup>20</sup> Missouri Small Business Network (MOBDN). [www.missouribusiness.net](http://www.missouribusiness.net)

The Missouri Business Assistance Center (MBAC), as part of the Missouri Department of Economic Development, serves as a central information point for state requirements on doing business in Missouri.<sup>21</sup> Here entrepreneurs can find information on regulations and requirements when starting a business in the state. MBAC provides online or by order form an individualized start-up packet for new Missouri businesses, as a guide for new business owners. MBAC also supports an online license and permit query system providing licensing and regulation information for specific types of businesses. The Missouri Small Business Assistance Center also refers individuals to appropriate agencies or organizations for specific business assistance needs. Downloadable forms for many state business requirements are available through MBAC.

The Outreach and Extension efforts of the University of Missouri campuses serve the entire state with programs geared toward entrepreneurs and small businesses. Business and Industry Specialists (B&I), made up of University of Missouri faculty, help entrepreneurs in new and existing businesses identify current and future business problems and creative solutions. Counseling is provided free or at a nominal charge. In addition, B&I Specialists administer training programs for a small fee in areas including, but not limited to, taxes, inventory planning, record keeping and management. Industry-at-a-glance reports supply detailed industry-specific information for common or targeted industries in Missouri. There are twenty-one Outreach and Extension centers listed across the state.

Missouri Small Business Development Centers (SBDCs) assist small businesses through counseling, training programs, and research and other resources.<sup>22</sup> Thirteen offices throughout the state assist business owners through individualized counseling, marketing strategies, small business management, financial analysis, and access to technology. Technology resources include computerized patent, trademark and copyright searches, product design, testing and quality control, manufacturing studies, and plant layout. One tool used is the Strategic Management Assessment Review Tool (SMART); SMART is an individualized performance management tool used to help businesses achieve performance excellence.

SBDCs also participate in the NxLevel Training Network. NxLevel Training is a series of training courses housed at the University of Colorado at Denver, as a collaboration of programs required for success in entrepreneurial training. In Missouri, NxLevel entrepreneurial training is available in four areas: Business Start-Ups; Entrepreneurs; Micro-Entrepreneurs/ MicroEnterprise; and Tilling the Soil of Opportunity. These courses are offered by certified NxLevel instructors throughout the state.

Missouri has six Small Business Incubators located across the state. A small business incubator is a building that is divided into units, which are then leased to new small businesses at a low-

### ***NxLevel Outstanding Performance Award***

Missouri Small Business Development Centers received a NxLevel Outstanding Performance Award in 2001. This award was largely due to the diversity of clients that have benefited from NxLevel in Missouri, particularly in the St. Louis area.

<sup>21</sup> Missouri Business Assistance Center (MBAC). [www.ecodev.state.mo.us/mbac/home2.html](http://www.ecodev.state.mo.us/mbac/home2.html)

<sup>22</sup> Missouri Small Business Development Center (MOSBDC). [www.mo-sbdc.org](http://www.mo-sbdc.org)

cost. Incubators also serve to provide clients with access to office machines, furniture, reception and secretarial services, and technical assistance.<sup>23</sup> These incubators help entrepreneurs grow through the use of shared resources.

The Missouri Innovation Center, Inc. (MIC) is a not-for-profit corporation in Columbia, Missouri that is a small business incubator and works with the University of Missouri system on technology transfer opportunities. MIC's Missouri MarketMaker is a source of venture capital resources, tools, news and information for entrepreneurs in Missouri. Some resources on the Missouri MarketMaker website are Venture Capital News, the Missouri Stock Index, and listings of Missouri companies raising capital and using tax credits, as well as serving Missouri Small Business Incubators. The four Missouri Innovation Centers hold an ownership interest in Prolog Ventures, a life sciences and technology seed capital fund in St. Louis with the hope to expand and create additional venture capital funds.<sup>24</sup>

The Service Corps of Retired Executives (SCORE) in partnership with the U.S. Small Business Administration is another program available for Missourians seeking business assistance. SCORE counselors are experienced business professionals that volunteer to provide free advice and services in the areas of business plan preparation, financing, record keeping and problem solving. There is an online network available for questions and assistance across the U.S.<sup>25</sup>

Among the other organizations within the Missouri Business Development Network that provide resources for entrepreneurs and small business owners are:

- ❖ Center for Technology and Small Business Development
- ❖ Small Business Research & Information Center
- ❖ Missouri Procurement Assistance Centers
- ❖ Missouri Textile and Apparel Center
- ❖ Minority Business Contacts
- ❖ Regional Planning Commissions

The Missouri Secretary of State's (SOS) office also facilitates the creation of new businesses in the state. Specifically, the Small Business Outreach Project is a three-focus project geared toward small business. The three goals of the project are:

- To serve as an ombudsman or mediator for small businesses, answering questions and negotiating with state government agencies;
- Publicize Missouri's small business services, raising awareness of the programs Missouri government has to offer small businesses;
- Promoting the small business cause to state government from within state government.

### **Lake of the Ozarks SCORE 2000 Chapter of the Year**

SCORE Chapter 493 of the Lake of the Ozarks received the SCORE Chapter of the Year Award in 2000 for excellence in entrepreneurial services. The chapter more than doubled workshops and workshop attendance and met all SCORE goals in 2000.

<sup>23</sup> Missouri Small Business Development Network.

<sup>24</sup> Missouri MarketMaker. [www.marketmaker.org](http://www.marketmaker.org)

<sup>25</sup> Service Corps of Retired Executive (SCORE). [www.score.org](http://www.score.org)

The SOS office also supplies information on funding sources for small businesses and where to secure licenses and permits in order to start a business in Missouri. Many of the necessary forms can be downloaded from the Secretary of State's website.<sup>26</sup>

## ***Access to Capital***

The Missouri Finance Network, a website created by the Missouri Department of Economic Development (DED) Incentives Program, is designed to provide summaries of financial programs and incentives available through the Department of Economic Development and other federal, state and local financial programs.<sup>27</sup> The ONLINE Business Program Search feature of the site matches available programs to business owners and entrepreneurs based on the results of a short online questionnaire. The Missouri Finance Network also links to the Missouri Business Assistance Center, Municipal and Federal financing programs, and Tax Increment Financing Reports. One of the most useful aspects of the site is the Business Finance Programs page of summaries. Summaries of various DED programs are available along with downloadable application forms for most of the programs.

Missouri has a variety of incentive and assistance programs available for new and existing businesses that are targeted from very specific to general groups. Some of the programs geared especially toward new businesses and entrepreneurs' efforts to raise capital are:

- ❖ ***Small Business Incubator Tax Credit Program*** – Designed to generate private funds to establish incubator programs for businesses in the start-up phase. Any taxpayer that makes a contribution to an approved Missouri incubator sponsor is eligible to receive a tax credit equal to up to 50% of the amount of the contribution.
- ❖ ***Action Fund Loan Program*** – Provides a loan to certain types of for-profit companies that need funds for start-up and have exhausted other resources. Loan funds must be spent on projects in a city of less than 50,000 people or county with less than 200,000. For-profit manufacturing, processing and assembly companies that will have wages above the county average and provide medical benefits are prioritized. Loan funds may be used for the purchase of new machinery and equipment or working capital.
- ❖ ***Community Development Block Grant (CDBG) Loan Guarantee Program*** – Provides “gap” financing for new or expanding businesses that cannot access complete funding for a project. Gap financing means the total cost of a project exceeds all available resources of capital. DED guarantees a portion of the loss of a loan made to an approved project, providing funds to the lender upon default and liquidation of collateral. This program is similar to the Action Fund Loan Program in eligible size of area, type of business and uses of funds.

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<sup>26</sup> Missouri Secretary of State's Office. [www.sos.state.mo.us](http://www.sos.state.mo.us)

<sup>27</sup> Missouri Finance Network. [www.ecodev.state.mo.us/cd/finance/default.htm](http://www.ecodev.state.mo.us/cd/finance/default.htm)

- ❖ **Missouri First Linked Deposit** – The State Treasurer provides low-interest, linked time deposits of state funds to Missouri financial institutions that make loans to new and expanding businesses that create or retain jobs in the state. To be eligible for a linked deposit loan, the borrower must be a new, existing or expanding company that is able to create or retain one new job for each \$25,000 of state deposits. The funds may be used for any purpose approved by the lender, such as relocation expenses, working capital, interim construction, inventory, site development, machinery and equipment.<sup>28</sup>

Missouri's tax credit and loan programs allow for small business owners and entrepreneurs to gain access to capital for projects that would be otherwise unattainable. Detailed summaries of these and other programs are available at the Missouri Finance Network website.

## ***Securities Regulation***

Missouri has adopted a version of the North American Securities Administrators' Association (NASAA) Small Corporate Offering Registration (SCOR). Missouri's version of the program, called Missouri Issuer Registration, is designed to help small businesses quickly raise up to \$1 million in capital while avoiding the costs and formality involved in Initial Public Offerings (IPO). Instead of preparing a traditional prospectus, a small business prepares a Form U-7, a simplified 50 question fill-in-the-blank form about the business, its history, its plans for the future, the terms of the securities offering and the risks associated with investing. These offerings are not listed on stock exchanges.<sup>29</sup>

Missouri participates in the Kansas/Missouri SCOR program for companies wishing to offer securities in both states. The issuer files an application with both states and the states then designate a "lead state". When the application is approved in the lead state, it becomes effective in both states. Similarly, Missouri also takes part in the Midwest Regional Review Program for issuers that wish to offer their securities in at least two of ten participating states. These states include Illinois, Indiana, Iowa, Kansas, Michigan, Missouri, Nebraska, North Dakota, South Dakota and Wisconsin. Applications are filed in each state in which the issuer desires to offer securities and a lead state is designated. Approval by the lead state results in approval in all states where an application was filed.<sup>30</sup>

Another resource available to Missouri entrepreneurs is the ACE-Net online network. ACE-Net is a national Small Business Administration sponsored program to pair angel investors with entrepreneurs. This fee-based internet program was created to allow entrepreneurs a national forum for their business plan while meeting securities regulations and giving equity investors easy access to investment information. The St. Louis Center for Emerging Technologies serves as the ACE-Net (Access to Capital Electronic Network) operator in Missouri.<sup>31</sup>

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<sup>28</sup> See Missouri Finance Network for complete details of these and other tax programs.  
[www.ecodev.state.mo.us/cd/finance/default.htm](http://www.ecodev.state.mo.us/cd/finance/default.htm)

<sup>29</sup> Missouri Secretary of State's Office. Missouri Issuer Registration. [www.sos.state.mo.us](http://www.sos.state.mo.us)

<sup>30</sup> Missouri Secretary of State's Office. Raising Capital in Missouri. [www.sos.state.mo.us](http://www.sos.state.mo.us)

<sup>31</sup> ACE-Net. [www.ace-net.org](http://www.ace-net.org)

## ***Improving Entrepreneurship Education***

Entrepreneurship education is one key to fostering entrepreneurship within a state. Several of Missouri's post-secondary education institutions have programs that target entrepreneurs. The University of Missouri – Kansas City's Bloch School of Business and Public Administration and Entrepreneurial Growth Resource Center offers a Master's program emphasis as well as a variety of courses in entrepreneurship. The Entrepreneurial Growth Resource Center links the academic and business communities in the Kansas City area. Included in this program is the Kauffman Entrepreneurship Internship Program, pairing undergraduate and graduate students with local entrepreneurs to experience firsthand what entrepreneurship entails.<sup>32</sup>

The John Cook School of Business at St. Louis University (SLU) offers a major in entrepreneurship in its undergraduate program and an entrepreneurship concentration in the graduate program. Further, *eWeb @ St. Louis University* is an award-winning entrepreneurship education website. It contains information on entrepreneurship education programs at SLU and around the globe, and local entrepreneurship resources, including a searchable database of Missouri organizations providing help to small businesses.<sup>33</sup>

Other schools in Missouri offering entrepreneurship-specific education are: Washington University in St. Louis (MBA entrepreneurship concentration); Southwest Missouri State University in Springfield (undergraduate entrepreneurship option); and Southeast Missouri State University in Cape Girardeau (entrepreneurship minor).

### ***St. Louis University***

The St. Louis University MBA Program was awarded the United States Association for Small Business and Entrepreneurship (USASBE) National Model Award in 1994. USASBE is a non-profit organization devoted to continuing management education for entrepreneurs and small business.<sup>33</sup>

## ***Reaching Out to Entrepreneurs and Recognizing Achievement***

In an effort to unite entrepreneurs in Missouri with potential investors, the InvestMidwest Venture Capital Forum has been held for the past three years. The Danforth Foundation, Kauffman Center for Entrepreneurial Leadership, and the Missouri Department of Economic Development, along with other public and private organizations, sponsored the Forum, which was held most recently in St. Louis in 2002. The event gives entrepreneurs seeking funding an opportunity to present their ideas to approximately 200 of the nation's leading venture capitalists, investors, bankers, and accounting and legal professionals. The first two InvestMidwest Forums raised more than \$40 million for entrepreneurial ventures.<sup>34</sup>

Outstanding Missouri entrepreneurs receive recognition through the Small Business Development Centers *Excellence in Business Awards* for entrepreneurial achievement. These

<sup>32</sup> University of Missouri – Kansas City. [www.umkc.edu](http://www.umkc.edu)

<sup>33</sup> St. Louis University Entrepreneurship Education on the Web. [www.eweb.slu.edu](http://www.eweb.slu.edu)

<sup>34</sup> Missouri Department of Economic Development. "State Helps Unite Missouri Start-Ups and Potential Investors". Press Release. May 3, 2002.



awards are presented each year to businesses in Missouri that best exemplify attributes necessary to succeed in small business. Winners in 2000 included Edwards Chemicals, Inc. (St. Joseph), Hanford Nuclear Services, Inc. (West Plains), Matthews Manufacturing (St. Louis) and Springfield Veterinary Hospital (Springfield).

## ***Missouri Rankings***

### **Small Business Survival Index Criteria**

- *Personal Income Tax*
- *Capital Gains Tax*
- *Corporate Income Tax*
- *Property Taxes*
- *Sales Tax*
- *Death Taxes*
- *Unemployment Tax Rates*
- *Health Insurance Tax Rates*
- *Electricity Costs*
- *Worker's Compensation Costs*
- *Total Crime Rate*
- *Right to Work*
- *Number of Bureaucrats*
- *Tax Limitation States*
- *Internet Taxes*
- *Gas Tax*
- *State Minimum Wage*

With these and other programs in place, the question becomes how does Missouri rank? On a regional level, two Missouri cities ranked in the Entrepreneur and Dun & Bradstreet 8<sup>th</sup> Annual *Best Cities for Entrepreneurship* in 2001. Of the 61 Top Large Cities or Metro Areas for Entrepreneurs in the U.S., the Kansas City Metropolitan Area ranked 28<sup>th</sup> and the St. Louis Metropolitan ranked 48<sup>th</sup>. No Missouri cities were ranked in the Top Mid-sized Cities category. Four criteria were used to determine “best” cities: entrepreneurial activity (based on the number of businesses that are 5 years old or younger within metropolitan statistical areas); small business growth (those businesses with fewer than 20 employees that had significant employment growth from January 2000 to January 2001); economic growth (which measures the change in job growth over a three-year period through January 2001); and risk (cities with the lowest business failure rates). Orlando, FL and Dallas, TX tied for first as the best large cities for entrepreneurs.<sup>35</sup>

Similarly, Inc.com magazine, a U.S. publication for entrepreneurship, ranked U.S. cities that have “soared or sunk” on its survey of the best places to start a business. This scale ranked cities that have made the most upward or downward movement in Inc.com’s list of *Best Places to Start a Business*. From 1993 to 2000, both Kansas City and

St. Louis ranked in the top ten big cities to “soar” up the list. Kansas City gained 12 places on the list from 33<sup>rd</sup> in 1993 to 22<sup>nd</sup> 2000, while St. Louis climbed six spots to 30<sup>th</sup> in 2000.<sup>36</sup> Nationally, Missouri ranked 17<sup>th</sup> in the Small Business Survival Index 2001. The Small Business Survival Committee’s Small Business Survival Index ranks the policy environment for entrepreneurship across the nation. Seventeen major government-imposed or related costs impacting small businesses and entrepreneurs are used to determine the index. Under the Index, a smaller score is ranked highest, indicating a small business and entrepreneur-friendly policy environment. Missouri received its highest score in Top Corporate Income Tax Rate (ranked 6<sup>th</sup>) and lowest in Crime Rate (ranked 33<sup>rd</sup>). The Small Business Survival Committee is a nonprofit,

<sup>35</sup> “Best Cities for Entrepreneurs” Entrepreneur Magazine. [www.entrepreneur.com](http://www.entrepreneur.com)

<sup>36</sup> “Best Cities to Start and Grow a Company in Now”. Inc.com Magazine. December 2000. [www.inc.com](http://www.inc.com).



nonpartisan advocacy and lobbying organization.<sup>37</sup> (See Appendices B-D for a complete listing of state rankings.)

## Recommendations

Missouri has many programs in place for entrepreneurs and small businesses and ranks competitively among other states. However, to become a national leader, Missouri should consider implementing some of the following suggestions.

***Venture Capital.*** Access to venture capital is important to the success of entrepreneurs. Missouri has many tax credit programs in place and is making strides in encouraging venture capital investors to the state with programs such as the InvestMidwest Venture Capital Forum. Continuing focus on this area could greatly benefit many entrepreneurs, especially in the start-up phase when it is most difficult to find investors.

***Education.*** Missouri secondary and post-secondary institutions can continue to foster interest in entrepreneurship through education programs. By incorporating information about state programs to assist entrepreneurs into the education system, future entrepreneurs will become aware of resources available to them. In post-secondary institutions, encouraging research in the state's top universities supports innovation and new ideas. For example, the University of Missouri system could encourage research through more lenient intellectual property-rights policies. Further, making intellectual property rights more "researcher-friendly" could help advance research in the state. Currently, any research resulting in inventions done at a university in the UM system facility by university staff belongs to the university.<sup>38</sup>

Raising awareness of Missouri's programs and resources is one of the most important improvements the state could make. By participating in education programs, the state can educate aspiring entrepreneurs early on. Advertising various resources at career fairs, in trade publications and through chambers of commerce will raise awareness of the programs Missouri has in place for entrepreneurs and business owners.

***Increase Access to Resources.*** The Missouri Business Development Network (MOBDN) is a good example of bringing resources together. However, there are other networks and areas of assistance not included in the system. It remains a maze of resources with important information that could easily be missed if not searched for. For example, the Missouri Finance Network, a very useful tool for entrepreneurs in search of capital, could easily be missed, since it is not predominantly linked on MOBDN.

Providing online licensing and permit applications could save entrepreneurs time and paperwork. Many forms are currently available for printing, but allowing forms to be filled out and filed online would save considerable amounts of time for entrepreneurs as well as those processing the application. The Missouri Business Assistance Center's License and Permit Query System

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<sup>37</sup> Keating, Raymond. "Small Business Survival Index 2001". Small Business Survival Committee. July 2001.

<sup>38</sup> University of Missouri Patents and Licensing. [www.system.missouri.edu/patents/](http://www.system.missouri.edu/patents/)

([www.ecodev.state.mo.us/mbac/refers.asp](http://www.ecodev.state.mo.us/mbac/refers.asp)) provides contact information for various professions, but no links or forms. Adding direct links to necessary webpages and providing an online application procedure could make the process easier for entrepreneurs.

## Conclusion

Entrepreneurs play a vital role in economic development as key contributors to technological innovation and new job growth. Further, entrepreneurs help build communities in ways such as providing jobs, conducting business locally, creating and participating in entrepreneurial networks, investing in community projects, and giving to local charities. Realizing both the economic and social impact of entrepreneurship, many states and local communities have implemented aggressive strategies aimed at cultivating and nurturing entrepreneurs.

In order for governments to effectively develop these policies that will foster entrepreneurship, they must first understand the difference between entrepreneurs and small business owners, common misconceptions about entrepreneurs and where entrepreneurs are located. Using this information, combined with entrepreneurial strategies outlined by the National Governors Association (NGA) Center for Best Practices, state government can develop specific measures to support entrepreneurs.

Despite the extent of Missouri's current programs, there is still more that can be done to support entrepreneurs in the state. To become a national leader in entrepreneurship, Missouri should consider implementing some of these suggestions: continuing to focus on helping entrepreneurs gain access to venture capital; incorporating entrepreneurship education into secondary and post-secondary institutions; and increasing access to the resources Missouri already has in place.

Missouri is making great strides, providing a variety of services and resources to its current and future entrepreneurs. Missouri's ranking of 17<sup>th</sup> in the Small Business Survival Index indicates that measures are being taken to support entrepreneurship and small businesses in the state. With continued effort and by implementing some of the proven best practices outlined in this report, Missouri can take advantage of the opportunity to become a leader in entrepreneurship and reap the economic and social rewards that accompany that role.

## **Appendix A.      *Reader's Guide to Labor Market Area Data***

Source: *National Commission on Entrepreneurship*

### **Growth Company Index (GCI):**

The GCI is calculated based on the number of high-growth companies (as a percentage of all business establishments) located in an individual Labor Market Area (LMA) and the LMA's ranking as a home to start-up firms that started in 1992-1993 and grew to at least 20 employees by 1997. The average GCI for all LMAs is 100. Thus, communities with GCIs below 100 performed worse than average, and those with scores exceeding 100 performed above average.

### **Rank in LMA Size Class:**

This star-system rating (from 1 to 5 stars) reflects a region's ranking among other LMAs of similar population size. Each star represents 20 percent of an LMA population-size class. Thus, five stars signify that a community's GCI rating is among the top 20 percent in its population class. Similarly, one star signifies that a community ranks among the bottom 20 percent of its population class.

### **LMA Size Class:**

The size class measures population of the LMA. There are seven size categories: more than 3 million; 1 million to 3 million; 750,000 to 1 million; 500,000 to 750,000; 300,000 to 500,000; 150,000 to 300,000; and 100,000 to 150,000.

### **National Mean GCI:**

The average GCI for all population classes is 100.

### **Average GCI of LMA Size Class:**

The average GCI score for each population size grouping. Average GCI scores range from a high of 143 for LMAs with populations between one and three million to a low of 79 for LMAs with populations between 100,000 and 150,000.

**Total Establishments in 1991:** This is the total number of business establishments (including franchises, branch plants, and company headquarters) that existed in an LMA in 1991.

**Establishments that grew at least 15 percent per year for five years:**

The total number of businesses that had 15 percent annual job growth or grew by 100 percent over five years.

### Strongest business sector(s) in LMA size class:

All businesses were categorized as one of six industry groupings, based on the Census Bureau's Standard Industry Classification (SIC) codes. These groupings included:

- Business Services: Includes engineering, accounting, research and management services.
- Distributive Services: Includes transportation, communication, public utilities, and wholesale trade.
- Manufacturing
- Extractive: Includes agricultural services and mining.
- Local Market: All other SICs. It excludes business services, but does include construction, consumer and finance services.

This measure assesses a community's strengths when compared to other LMAs in its size class. The "strongest business sector" measures those industry groupings where an LMA hosts a higher percentage of high growth companies when compared to the average for its LMA size class.

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## Cape Girardeau, MO

\*LMA257

<b>Growth Company Index (GCI)</b>	<b>100</b>
Rank in LMA Size Class	★★★
LMA Size Class	150-300K
National Mean GCI	100
Average GCI of LMA Size Class	94
Total establishments in 1991	5,673
Establishments that grew at least 15% per year for 5 years	250
Strongest business sector(s)	Distributive

\*The United States is divided into 394 Labor Market Areas (LMA). LMAs are commuting areas and often cross state boundaries. LMA 257 includes Bollinger County, Butler County, Cape Girardeau County, Carter County, Mississippi County, New Madrid County, Ripley County, Scott County, Stoddard County, and Wayne County.

## Columbia, MO

\*LMA296

Growth Company Index (GCI)	58
Rank in LMA Size Class	★★
LMA Size Class	300-500K
National Mean GCI	100
Average GCI of LMA Size Class	95
Total establishments in 1991	7,782
Establishments that grew at least 15% per year for 5 years	333
Strongest business sector(s)	Local Market

\*The United States is divided into 394 Labor Market Areas (LMA). LMAs are commuting areas and often cross state boundaries. LMA 296 includes Boone County, Callaway County, Camden County, Cole County, Cooper County, Howard County, Moniteau County, Osage County, Miller County, and Morgan

## Farmington, MO

\*LMA246

Growth Company Index (GCI)	65
Rank in LMA Size Class	★★★
LMA Size Class	100-150K
National Mean GCI	100
Average GCI of LMA Size Class	79
Total establishments in 1991	2,320
Establishments that grew at least 15% per year for 5 years	89
Strongest business sector(s)	Extractive, Manufacturing

\*The United States is divided into 394 Labor Market Areas (LMA). LMAs are commuting areas and often cross state boundaries. LMA 246 includes Iron County, Madison County, Perry County, St. Francois County, Ste. Genevieve County, and Washington County.

## Fort Leonard Wood, MO

\*LMA245

Growth Company Index (GCI)	54
Rank in LMA Size Class	☆☆
LMA Size Class	100-150K
National Mean GCI	100
Average GCI of LMA Size Class	79
Total establishments in 1991	1,919
Establishments that grew at least 15% per year for 5 years	68
Strongest business sector(s)	Extractive, Manufacturing

\*The United States is divided into 394 Labor Market Areas (LMA). LMAs are commuting areas and often cross state boundaries. LMA 245 includes Dent County, Manes County, Phelps County, Pulaski County, and Reynolds County.

## Joplin, MO

\*LMA299

Growth Company Index (GCI)	119
Rank in LMA Size Class	☆☆☆☆
LMA Size Class	150-300K
National Mean GCI	100
Average GCI of LMA Size Class	94
Total establishments in 1991	6,397
Establishments that grew at least 15% per year for 5 years	267
Strongest business sector(s)	Manufacturing

\*The United States is divided into 394 Labor Market Areas (LMA). LMAs are commuting areas and often cross state boundaries. LMA 299 (Missouri) includes Barton County, Cedar County, Dade County, Jasper County, Newton County and Vernon County. LMA 299 (Kansas) includes Bourbon County, Cherokee County, and Crawford County. LMA 299 (Oklahoma) includes Ottawa County.

## Kansas City, MO

\*LMA 295

Growth Company Index (GCI)	177
Rank in LMA Size Class	★★★★★
LMA Size Class	1-3 million
National Mean GCI	100
Average GCI of LMA Size Class	143
Total establishments in 1991	44,852
Establishments that grew at least 15% per year for 5 years	2,287
Strongest business sector(s)	No Dominant Sector

\* The United States is divided into 394 Labor Market Areas (LMA). LMAs are commuting areas and often cross state boundaries. LMA 295 (Kansas) Atchison County, and Leavenworth County. LMA 295 (Missouri) includes, Johnson County, Linn County, Miami County, Wyandotte County, Bates County, Cass County, Clay County, Jackson County, Johnson County, Lafayette County, Platte

## Kirksville, MO

\*LMA261

Growth Company Index (GCI)	41
Rank in LMA Size Class	★
LMA Size Class	150-300K
National Mean GCI	100
Average GCI of LMA Size Class	94
Total establishments in 1991	4,859
Establishments that grew at least 15% per year for 5 years	169
Strongest business sector(s)	Manufacturing

\*The United States is divided into 394 Labor Market Areas (LMA). LMAs are commuting areas and often cross state boundaries. LMA 261 (Missouri) Adrian, Carrol, Chariton, Grundy, Knox, Linn, Livingston, Macon, Mercer, Monroe, Putnum, Randolph, Saline, Schulyler, Scotland, Shelby. LMA 261 (Iowa) Appanoose, Lucas, Wayne.



## Monett, MO

\*LMA 298

Growth Company Index (GCI)	170
Rank in LMA Size Class	★★★★★
LMA Size Class	100-150K
National Mean GCI	100
Average GCI of LMA Size Class	79
Total establishments in 1991	2,442
Establishments that grew at least 15% per year for 5 years	139
Strongest business sector(s)	Local Market

\*The United States is divided into 394 Labor Market Areas (LMA). LMAs are commuting areas and often cross state boundaries. LMA 298 includes Barry County, Lawrence County, Stone County, and Taney County.

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## Springfield, MO

\*LMA 297

Growth Company Index (GCI)	134
Rank in LMA Size Class	★★★★★
LMA Size Class	300-500K
National Mean GCI	100
Average GCI of LMA Size Class	95
Total establishments in 1991	8,682
Establishments that grew at least 15% per year for 5 years	433
Strongest business sector(s)	Distributive

\* The United States is divided into 394 Labor Market Areas (LMA). LMAs are commuting areas and often cross state boundaries. LMA 297 includes Christian County, Dallas County, Douglas County, Greene County, Hickory County, Laclede County, Polk County, Webster County, and Wright County.

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## St. Louis, MO

### \*LMA 247

Growth Company Index (GCI)	163
Rank in LMA Size Class	★★★★★
LMA Size Class	1-3 million
National Mean GCI	100
Average GCI of LMA Size Class	143
Total establishments in 1991	51,457
Establishments that grew at least 15% per year for 5 years	2,367
Strongest business sector(s)	No Dominant Sector

\* The United States is divided into 394 Labor Market Areas (LMA). LMAs are commuting areas and often cross state boundaries. LMA 247 (Missouri) includes Crawford County, Franklin County, Gasconade County, Jefferson County, Lincoln County, St. Charles County, St. Louis County, Warren County, St. Louis city, Audrain County, and Montgomery County. LMA 247 (Illinois) includes Monroe County and St. Clair County.

## West Plains, MO

### \*LMA 251

Growth Company Index (GCI)	47
Rank in LMA Size Class*	★
LMA Size Class	150-300K
National Mean OCI	100
Average GCI of LMA Size Class	94
Total establishments in 1991	5,868
Establishments that grew at least 15% per year for 5 years	255
Strongest business sector(s)	Retail

\*The United States is divided into 394 Labor Market Areas (LMA). LMAs are commuting areas and often cross state boundaries. LMA 251 (Missouri) includes Fulton County, Howell County, Oregon County, Shannon County, and Texas County. LMA 251 (Arkansas) includes Baxter County, Marion County, Ozark County, Boone County, Carrol County, Newton County, Searcy County, Cleburne County, Stone County, Van Buren County, Independence County, Izard County, and Sharp County.

## Appendix B. Small Business Survival Index 2001 Overall Ranking and Scores

Source: Small Business Survival Committee

Small Business Survival Index: State Rankings		
Rank	State	SBSI Score
1	Nevada	27.060
2	South Dakota	28.250
3	Washington	32.010
4	Wyoming	32.150
5	Florida	33.180
6	Texas	34.250
7	New Hampshire	36.250
8	Alabama	36.830
9	Mississippi	38.160
10	Tennessee	39.540
11	Colorado	39.870
12	Michigan	40.205
13	Illinois	40.290
14	Alaska	40.880
15	Virginia	41.310
16	Indiana	41.820
<b>17</b>	<b>Missouri</b>	<b>42.213</b>
18	South Carolina	42.520
19	Louisiana	43.304
20	Arizona	44.178
21	Massachusetts	44.755
22	Pennsylvania	44.880
23	Georgia	45.350
24	North Dakota	45.379
25	Arkansas	45.420
26	Idaho	45.590
27	Maryland	46.310
28	Oklahoma	46.920
29	Delaware	46.950
30	Wisconsin	47.380
31	Nebraska	48.430
32	Kentucky	48.610
33	Connecticut	48.830
34	Utah	49.242
35	North Carolina	49.590
36	Oregon	50.010
37	New Jersey	50.360
38	Montana	50.979
39	Iowa	51.073
40	Ohio	52.870
41	West Virginia	53.120
42	Vermont	53.514
43	New York	54.005
44	California	54.860
45	New Mexico	55.410
46	Minnesota	55.890
47	Kansas	55.980
48	Maine	56.150
49	Hawaii	57.235
50	Rhode Island	59.011
51	District of Columbia	65.335

### Appendix C. Small Business Survival Index 2001 Scores

State	Top Personal Income Tax Rate	Top Capital Gains Tax Rate	Top Corporate Income Tax Rate	Property Taxes	General Sales Taxes	Death Taxes	Unemployment Tax	Health Insurance Tax Rate	Electric Utilities Costs	Workers' Comp	Crime Rate	Right to Work	Bureaucrats	Tax Limitation States	Internet Access Tax	Gas Tax	State Minimum Wage	SBSI
AL	3.045	4	4.225	1.19	2.87	0	6.2	1.6	0.84	1.26	4.41	0	5.98	1	0	0.21	0	36.83
AK	0	0	9.4	4.37	0.62	0	5.92	2.7	1.5	1.64	4.36	1	7.79	1	0	0.08	0.5	40.88
AZ	5.04	5.04	6.968	3.12	3.82	0	5.4	2	1.08	0.67	5.9	0	4.95	0	0	0.19	0	44.178
AR	7	6	6.5	1.68	3.83	0	6.4	2.5	0.87	0.63	4.04	0	5.76	0	0	0.21	0	45.42
CA	9.3	9.3	8.84	2.86	2.97	0	5.4	2.35	1.26	1.49	3.81	1	4.86	0	0	0.32	1.1	54.86
Co	4.63	4.63	4.63	2.97	2.91	0	5.4	2	0.9	1.01	4.06	1	5.51	0	0	0.22	0	39.87
CT	4.5	4.5	7.5	4.48	2.61	1	6.9	1.75	1.43	1.03	3.39	1	5.19	1	1	0.3	1.25	48.83
DE	5.95	5.95	8.7	1.76	0	0	8.3	1.75	1.02	0.77	4.84	1	5.68	0	0	0.23	1	46.95
DC	9.3	9.3	9.975	3.78	2.6	0	7	2.25	1.13	0.4	8.07	1	8.33	1	0	0.2	1	65.335
FL	0	0	5.5	3.47	3.52	0	5.4	1.75	1.04	1.11	6.21	0	4.89	0	0	0.29	0	33.18
GA	6	6	6	2.86	3.17	0	5.4	2.25	0.93	0.71	5.15	0	5.76	1	0	0.12	0	45.35
HI	8.5	8.5	6.4	2	4.79	0	5.4	4.265	2.1	1.43	4.84	1	5.65	1	1	0.36	0	57.235
ID	8.1	3.24	8	2.94	2.57	0	5.4	2.75	0.63	1.69	3.15	0	5.87	1	0	0.25	0	45.59
IL	3	3	7.3	4	2.01	0	6.8	0.5	1	0.83	4.51	1	5.06	1	0	0.28	0	40.29
IN	3.4	3.4	7.9	3.83	2.29	1	5.4	2	0.77	0.62	3.77	1	5.25	1	0	0.19	0	41.82
IA	5.469	7.184	9.9	3.58	2.45	1	7.5	2	0.89	0.75	3.22	0	5.92	1	0	0.21	0	51.073
KS	6.45	6.45	7.35	3.48	2.99	0	7.4	8	0.95	0.93	4.44	0	6.33	1	0	0.21	0	55.98
KY	6	6	8.25	1.95	2.41	1	9	2	0.62	0.93	2.88	1	5.41	1	0	0.16	0	48.61
LA	3.654	4.8	5.2	1.63	4.34	1	6.2	2.25	1	0.88	5.75	0	6.4	0	0	0.2	0	43.304
ME	8.5	8.5	8.93	5.76	2.58	0	6.05	2	1.47	1.68	2.88	1	5.58	1	0	0.22	0	56.15
MD	4.8	4.8	7	2.73	1.49	1	7.5	2	1.02	1.57	4.92	1	5.24	1	0	0.24	0	46.31
MA	5.8	0	9.5	3.67	2.15	0	7.225	2.28	1.43	0.51	3.26	1	5.11	1	0	0.22	1.6	44.755
MI	4.2	4.2	2	3.24	3	0	8.1	2.025	1.07	0.9	4.32	1	4.88	1	0	0.27	0	40.205
MN	7.85	7.85	9.8	3.5	2.57	0	9.1	2	0.87	0.89	3.6	1	5.66	1	0	0.2	0	55.89
MS	5	0.02	5	2.57	3.92	0	5.4	3	0.89	1.02	4.27	0	6.89	0	0	0.2	0	38.16
<b>MO</b>	<b>6</b>	<b>6</b>	<b>4.063</b>	<b>2.26</b>	<b>2.94</b>	<b>0</b>	<b>6</b>	<b>2</b>	<b>0.9</b>	<b>0.82</b>	<b>4.58</b>	<b>1</b>	<b>5.48</b>	<b>0</b>	<b>0</b>	<b>0.17</b>	<b>0</b>	<b>42.213</b>
MT	6.699	8.8	6.75	4.86	0	0	6.4	2.75	0.75	1.78	4.07	1	5.84	1	0	0.28	0	50.979
NE	6.68	6.68	7.81	4.02	2.59	1	5.4	1	0.8	0.78	4.11	0	6.31	1	0	0.25	0	48.43
NV	0	0	0	2.3	4.14	0	5.4	3.5	0.92	1.13	4.65	0	4.69	0	0	0.33	0	27.06
NH	0	0	8.5	6	0	1	6.5	2	1.74	0.92	2.28	1	5.11	1	0	0.2	0	36.25
NJ	6.37	6.37	9	5.18	2.93	1	5.4	1.05	1.37	0.65	3.4	1	5.49	1	0	0.15	0	50.36
NM	8.2	8.2	7.6	1.58	4.98	0	5.4	3	1	0.72	5.96	1	6.59	1	0	0.18	0	55.41
NY	6.85	6.85	8.775	4.54	2.66	0	8.9	1	1.68	0.82	3.28	1	6.34	1	0	0.31	0	54.005
NC	7.75	7.75	6.9	2.27	2.38	1	5.7	2.07	0.98	0.66	5.18	0	5.7	1	0	0.25	0	49.59
ND	5.474	2.8	6.825	3.42	2.56	0	10.09	1.75	0.83	1.12	2.39	0	5.91	1	1	0.21	0	45.379

State	Top Personal Income Tax Rate	Top Capital Gains Tax Rate	Top Corporate Income Tax Rate	Property Taxes	General Sales Taxes	Death Taxes	Unemployment Tax	Health Insurance Tax Rate	Electric Utilities Costs	Workers' Comp	Crime Rate	Right to Work	Bureaucrats	Tax Limitation States	Internet Access Tax	Gas Tax	State Minimum Wage	SBSI
OH	7.5	7.5	8.5	3.16	2.34	1	6.4	1.84	0.98	1.21	4	1	5.22	1	1	0.22	0	52.87
OK	6.75	6.75	6	1.65	3.2	1	5.4	2.25	0.9	1.34	4.68	1	5.83	0	0	0.17	0	46.92
OR	9	9	6.6	3.35	0.15	0	5.4	2	0.72	0.87	5	1	5.33	0	0	0.24	1.35	50.01
PA	2.8	2.8	9.99	3.01	2.06	1	9.07	2	1	1.4	3.11	1	4.38	1	0	0.26	0	44.88
RI	9.9705	5.1	9	4.92	1.97	0	9.81	3	1.53	1.35	3.58	1	5.49	1	0	0.29	1	59.011
SC	7	3.92	5	2.75	2.77	0	5.4	1.25	0.83	1.14	5.32	0	5.97	1	0	0.17	0	42.52
SD	0	0	0	3.36	3.42	0	7.7	2.5	0.95	1.01	2.64	0	5.43	0	1	0.24	0	28.25
TN	0	0	6	1.96	4.22	1	10	2.5	0.84	0.72	4.69	0	5.4	1	1	0.21	0	39.54
TX	0	0	4.5	3.81	3.24	0	6.27	1.75	0.98	0.74	5.03	0	5.73	1	1	0.2	0	34.25
UT	5.6315	6.3	5	2.72	3.83	0	8.1	4.25	0.72	0.81	4.98	0	5.65	1	0	0.25	0	49.242
VT	9.384	4.8	9.75	5.52	1.41	0	5.9	2	1.53	1.34	2.82	1	5.76	1	0	0.2	1.1	53.514
VA	5.75	5.75	6	3.09	1.61	0	5.4	2.25	0.9	0.58	3.37	0	5.42	1	0	0.19	0	41.31
WA	0	0	0	3.74	5.41	0	5.42	2	0.68	1.55	5.26	1	5.15	0	0	0.23	1.57	32.01
WV	6.5	6.5	9	2.27	2.46	0	8.5	3	0.78	3.96	2.72	1	5.18	1	0	0.25	0	53.12
WI	6.75	2.7	7.9	4.28	2.48	0	9.75	0	0.86	0.85	3.3	1	5.22	1	1	0.29	0	47.38
WY	0	0	0	4.37	3.59	0	8.7	0.75	0.66	1.32	3.45	0	8.17	1	0	0.14	0	32.15

**Appendix D. Small Business Survival Index 2001 Rankings for Particular Measures**

State	Top Personal Income Tax Rate	Top Capital Gains Tax Rate	Top Corporate Income Tax Rate	Property Taxes	General Sales Taxes	Unemployment Tax	Health Insurance Tax Rate	Electric Utilities Costs	Workers ' Comp	Crime Rate	Bureaucrats	Gas Tax
AL	12	19	7	1	29	24	8	13	37	30	42	20
AK	1	1	45	42	5	21	41	46	47	29	49	1
AZ	20	26	25	24	42	1	15	39	8	48	6	10
AR	38	30	20	5	43	27	38	16	5	23	33	20
CA	48	50	40	18	33	1	37	41	44	21	3	49
Co	17	22	9	21	30	1	15	20	28	24	25	26
CT	16	21	29	44	26	32	9	43	31	15	12	47
DE	26	29	38	6	1	41	9	35	14	37	30	30
DC	48	50	50	36	25	33	31	40	1	51	51	13
FL	1	1	14	30	40	1	9	37	32	50	5	44
GA	27	30	15	18	36	1	31	25	9	43	33	2
HI	45	46	19	9	49	1	50	51	43	37	27	51
ID	43	16	34	20	21	1	42	2	49	9	38	35
IL	11	15	27	39	10	31	2	31	19	32	7	42
IN	13	17	32	38	13	1	15	8	4	20	16	10
IA	21	41	49	33	17	36	15	18	13	10	40	20
KS	31	36	28	31	34	35	51	26	26	31	44	20
KY	27	30	35	7	16	45	15	1	26	6	19	5
LA	14	23	13	3	48	24	31	31	22	47	46	13
ME	45	46	41	50	23	23	15	45	48	6	26	26
MD	18	23	26	16	7	36	15	35	46	39	15	32
MA	25	1	46	34	12	34	36	43	2	11	8	26
MI	15	20	5	26	35	39	29	38	24	28	4	41
MN	42	44	48	32	21	47	15	16	23	19	29	13
MS	19	11	10	14	45	1	44	18	30	27	48	13

State	Top Personal Income Tax Rate	Top Capital Gains Tax Rate	Top Corporate Income Tax Rate	Property Taxes	General Sales Taxes	Unemployment Tax	Health Insurance Tax Rate	Electric Utilities Costs	Workers ' Comp	Crime Rate	Bureaucrats	Gas Tax
<b>MO</b>	<b>27</b>	<b>30</b>	<b>6</b>	<b>10</b>	<b>32</b>	<b>22</b>	<b>15</b>	<b>20</b>	<b>17</b>	<b>33</b>	<b>22</b>	<b>6</b>
MT	34	48	22	46	1	27	42	7	50	25	37	42
NE	33	38	31	40	24	1	4	10	15	26	43	35
NV	1	1	1	13	46	1	48	24	34	34	2	50
NH	1	1	36	51	1	30	15	50	25	1	8	13
NJ	30	35	42	48	31	1	6	42	6	16	23	4
NM	44	45	30	2	50	1	44	31	10	49	47	9
NY	37	40	39	45	27	44	4	49	17	12	45	48
NC	41	43	24	11	15	19	30	28	7	44	31	35
ND	22	13	23	29	20	51	9	11	33	2	39	20
OH	40	42	36	25	14	27	14	28	36	22	13	26
OK	35	39	15	4	37	1	31	20	39	35	36	6
OR	47	49	21	27	4	1	15	5	21	41	17	32
PA	10	13	51	22	11	46	15	31	42	8	1	40
RI	51	27	42	47	9	49	44	47	41	18	23	44
SC	38	18	10	17	28	1	7	11	35	46	41	6
SD	1	1	1	28	39	38	38	26	28	3	21	32
TN	1	1	15	8	47	50	38	13	10	36	18	20
TX	1	1	8	37	38	26	9	28	12	42	32	13
UT	23	34	10	15	43	39	49	5	16	40	27	35
VT	50	23	47	49	6	20	15	47	39	5	33	13
VA	24	28	15	23	8	1	31	20	3	14	20	10
WA	1	1	1	35	51	18	15	4	45	45	10	30
WV	32	37	42	11	18	42	44	9	51	4	11	35
WI	35	12	32	41	19	48	1	15	20	13	13	44
WY	1	1	1	42	41	43	3	3	38	17	50	3



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